



Foreign Agricultural Service

**GAIN Report**

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## **India**

### **Agricultural Situation**

### **War Impact on Indian Agriculture**

**2003**

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#### **Report Highlights:**

**The impact of the ongoing Iraq war on Indian agriculture so far has been insignificant and mostly confined to some lost export opportunities to Iraq and other neighboring countries in West Asia.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
New Delhi [IN1], IN

To date, the impact of the Iraq war on Indian agriculture has not been significant; confined to some lost export opportunities to Iraq and other neighboring countries in West Asia. However, in the event the war is prolonged and disrupts the supply of petroleum and petroleum products, it would have a significant negative impact on India's agricultural production. The agriculture sector consumes large quantities of oil to power irrigation pumps and farm machinery. Increased freight costs resulting from war risk surcharges and higher insurance premiums would soon make some imported food items costlier and also hurt exports. Any disruption in the supply of fertilizers, some of which originates from the Middle East (Jordan and Saudi Arabia), could also temper the agricultural production outlook.

The war is likely to affect India's grain exports as several West Asian countries, particularly Saudi Arabia, United Arab Emirates, and Kuwait are major markets for India's rice and wheat. India's rice exports to this region in CY 2002 were around 1 million tons and wheat exports during 2001/02 (July/June) were around 850,000 tons. More recently, Indian exporters have started shipping wheat to Iraq under the oil-for-food program after Iraq's quality concerns regarding Indian wheat were addressed. According to trade sources, Indian exporters had outstanding export contracts for 600,000 tons of wheat to Iraq. Two shipments for a total quantity of around 22,000 tons, which left the Indian port in mid-March, could not make it to Iraqi ports before the war started and are reportedly stranded offshore near Dubai.

Movement of cargos has slowed from the Port of Kandla, a major shipping port for rice and wheat to middle east and African countries. There is also concern among Indian exporters that in the post-war era, Indian wheat exports to Iraq will lose out to exports from the US and Australia, and that India's existing export contracts with Iraq will be cancelled.

Other Indian exports which could be affected by the war are sugar, tea, fruits (particularly *Alphonso* mangoes), poultry products, spices, processed pulses, oil meals, and processed food products. According to industry sources, one shipment of 12,500 metric tons of sugar for Iraq and two shipments for a total quantity of 18,000 metric tons for Yemen left Indian ports recently, and three cargos of 12,000-15,000 metric tons each contracted for April shipment to Iraq are at risk. A prolonged war will drastically curtail exports of these products, valued at \$335 million in Indian fiscal year 2001/2 (April-March).

India is the world's largest importer of edible oils, registering \$2 billion in year 2001/2 (April-march). India's imports of palm oil, mostly from Malaysia and Indonesia, are not likely to be negatively affected. However, imports of soybean oil from South American and US origins will cost more by \$ 5-10 per metric ton due to higher war premiums applicable to ships sailing the Arabian sea and Suez Canal. In 2002, India imported \$43.6 million of soybean oil from the US.